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FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC 2399
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEHAO/AMCONSUL CURACAO 0155
RHEFDIA/DIA WASHDC
RUEABND/DEA HQS WASHINGTON DC
RUMIAAA/CDR USSOUTHCOM MIAMI FL
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 000475

SIPDIS

STATE FOR WHA/CAR (BENT) AND WHA/PDA
STATE ALSO FOR INL/LP (BOZZOLO), EB/TPP, AND EB/IFD
STATE ALSO DOE CA/OCS/ACS/WHA (RUTH BRANSON)
STATE PASS OPIC FOR TABERNAKI
CUSTOMS MIAMI FOR LOWEN AND MAHABIR
SANTO DOMINGO FOR FCS, FAS, AND LEGATT
STATE PASS USTR FOR A. GASH-DURKIN
DOJ FOR OPDAT/R LIPMAN
TREASURY FOR LAMONICA

SIPDIS

E.O. 12958: N/A
TAGS: PGOV PREL EFIN ECON EINV PHUM ELAB KHIV JM
SUBJECT: KINGSTON POL/ECON ROUNDUP: FEBRUARY 18, 2006 -
MARCH 6, 2006

Ref: Kingston 00402

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11. This week's topics:

-- New Prime Minister Chosen
-- Rating Agency Maintains Jamaica's Rating
-- Expansion of Oil Refinery Underway
-- GOJ Seeking Consultation on Explosive Tax Proposal
-- Crime Rates Down

New Prime Minister Chosen

12. On February 25, Portia Simpson Miller, currently the Minister of Local Government, Community and Sport, won an internal Peoples National Party election to succeed P.J. Patterson as party president and Prime Minister. Simpson Miller will be the seventh Prime Minister of Jamaica since its independence and the first woman to hold the office. Patterson is due to retire and be replaced by Simpson Miller by month-end. Further details reported Reftel.

Rating Agency Maintains Jamaica's Rating

13. International rating agency, Moody's, has reaffirmed Jamaica's 'B' (stable) rating, in its update on February 23, a week after Standard and Poor's (S&P) maintained its 'B' rating of the country. Moody's, like S&P, pointed to the GOJ'S commitment to fiscal discipline. Moody's stated that "[t]hey remain supported by the government's commitment to return to a balanced budget position and by a constitutional provision mandating debt-service payments as the first expenditure priority." Moody's also cited Jamaica's ability to face severe shocks and the comparatively low external government debt ratios as contributory factors for its stance. However, Moody's stated that the country's exchange

rate remained susceptible to recurrent pressures and the large public sector debt faced growing exposure to international capital markets. The rating agency also noted that the macro-economy remained sensitive to external and domestic shocks.

Expansion of Oil Refinery Underway

¶4. The much-publicized USD 200 million modernization and expansion of Jamaica's Petrojam oil refinery, began last month with the engineering design. The project evolved out of a memorandum signed in August 2005 between Prime Minister Patterson, and Venezuelan President Hugo Chavez. The front-end engineering design (FEED), which will be undertaken by the Canadian firm SNC Lavalin, is projected to cost USD 4.7 million and will last for ten months. Once the FEED is completed, PDVSA, the Venezuelan state oil company, and Petrojam will carry forward the upgrade and expansion of the local refinery. The project will expand the capacity of Petrojam from 35,000 barrels to 50,000 barrels per day. Additionally, the facilities will be modified to accommodate increased production of cleaner products and reduce the proportion of capacity dedicated to heavier fuel, thereby improving plant efficiency.

GOJ Seeking Consultation on Explosive Tax Proposal

¶5. Despite clear signs of vigorous resistance from the public and the opposition Jamaica Labor Party (JLP), the government has signaled its intention to commence consultations with stakeholders in the petroleum sector to determine the level of taxation to be applied to petroleum

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products. Prime Minister Patterson tabled the green paper in Parliament and said the tax regime was primarily geared at driving efficiency and conservation and to a lesser extent generating revenues to maintain roads and encourage energy conservation. However, the proposal is already facing intense opposition from the JLP. JLP leader Bruce Golding is arguing that Jamaican taxpayers are already overburdened and the plan will unnecessarily increase the burden. Given the explosive public reaction to previous attempts to increase the tax on petroleum products, the JLP expects to gain much-needed political capital during this process. The highly popular Prime Minister-elect, Portia Simpson Miller could burn social and political capital if she decides to support this proposal.

Crime Rates Down

¶6. As of March 5, Jamaica's homicide rate stood at 226, a 24% reduction over the same time period in 2005. The JCF reported a decline of 18% for overall crime.